

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

<b>In Re:</b>	<b>§</b>	<b>Chapter 11</b>
	<b>§</b>	
<b>W.R. GRACE &amp; CO., et al.,</b>	<b>§</b>	<b>Jointly Administered</b>
	<b>§</b>	<b>Case No. 01-01139 (JKF)</b>
<b>Debtors.</b>	<b>§</b>	
	<b>§</b>	

**FEE AUDITOR'S FINAL REPORT REGARDING  
FEE APPLICATION OF PRICEWATERHOUSECOOPERS LLP  
FOR THE ELEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of Pricewaterhouse Coopers LLP for the Eleventh Interim Period (the “Application”).

**BACKGROUND**

1. PricewaterhouseCoopers LLP (“PwC”) was retained as independent accountants and auditors for the Debtors and Debtors in Possession. In the Application, PwC seeks approval of fees totaling \$423,701.01 and costs totaling \$19,604.43 for its services from October 1, 2003, through December 31, 2003.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30,

1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on PwC an initial report based on our review, and received a response from PwC, portions of which response are quoted herein.

## DISCUSSION

3. In our initial report, we noted that on October 31, 2003, CF, AS and MY attended an inventory at Curtis Bay. The time spent was 24.00 hours for a total fee of \$6,752.00. The entries are provided below.

10/31/03	CF	8.00	2736.00	All day inventory count/observation procedures for the Hydro area of the Curtis Bay plant.
10/31/03	AS	8.00	2160.00	Curtis Bay inventory observation
10/31/03	MY	8.00	1856.00	Curtis Bay inventory observation

We asked PwC to explain why this inventory observation required the attendance of three firm members? PwC responded as follows:

The review of physical inventory counts performed by the client is an integral part of our audit process. Curtis Bay is the largest factory site in the U.S. for W.R. Grace ("Grace") catalyst and silica inventories. There are four major areas, stretching across 45 acres, where physical inventory count procedures are performed. The inventory count is taken in one day by Grace's employees and has to be observed real-time by PricewaterhouseCoopers ("PwC") professionals. The individuals above observed the inventory count in different areas of the plant as the count was taken.

We appreciate the response and offer no objection to these fees.

4. We noted that during the month of October, 2003, AS (\$270.00) and NS (\$197.00) spent 2.80 hours for a total fee of \$719.50 on such tasks as making copies, booking reservations and introducing new associates. The entries are provided below.

10/08/03	AS	0.30	81.00	acclimating new associate to office at Grace and introduction to Grace staff
10/22/03	AS	0.50	135.00	travel arrangements for Cincinnati inventory observation
10/22/03	AS	0.30	81.00	copying new purchase agreement
10/23/03	AS	0.50	135.00	getting directions for next week/booking hotel
10/24/03	AS	0.70	189.00	Travel arrangements and flights
10/27/03	NS	0.50	98.50	Made travel and hotel accommodations for the upcoming Lake Charles Inventory observation

We asked PwC to explain why these tasks should not be viewed as ministerial and therefore not compensable. PwC responded as follows:

We agree with your assessment that this time was improperly included in our filing.  
We agree to a reduction of fees in the amount of \$719.50.

We appreciate the response and thus recommend a reduction of \$719.50 in fees.

5. We further noted five entries for meal expenses totaling \$284.70 which may be excessive or lack sufficient detail to adequately assess the reasonableness of the charge. The entries are provided below.

Nina Govic	11/05/03	\$ 45.35	Working Lunch
Nina Govic	11/13/03	\$105.36	Working Lunch
Larry Farmer	11/06/03	\$ 37.45	Meal while working
James Nichols	11/20/03	\$ 27.00	Meal while traveling
Tom Kalinosky	12/11/03	\$ 69.54	Out of town dinner

For each entry, we asked PwC to provide the number of diners, and, if not already stated, indicate whether the entry represents breakfast lunch or dinner. PwC responded as follows:

a.Nina Govic – This is a working lunch for Nina Govic, Cheryl Frick, William Choi and Aimee Stickley.

b.Nina Govic – This is incorrectly classified as a working lunch. This meal relates to an overtime dinner for 8 individuals on the audit team, including Nina Govic, Cheryl Frick, Maureen Driscoll, William Choi, Aimee Stickley, Nicholas Stromann, Joe Meenan, and Brent Fehnel.

c.Larry Farmer – The meal in question is a working breakfast prior to the Grace audit committee meeting shared by both Mr. Farmer and Raymond Bromark.

d.James Nichols – The meal is a dinner while Mr. Nichols was traveling to Columbia, MD.

e.Tom Kalinosky – This meal is a dinner shared by Mr. Kalinosky and Cheryl Frick while the pair was traveling in Memphis, TN on Grace business.

We appreciate the response and offer no objection to these expenses.

## **CONCLUSION**

6. Thus, we recommend approval of fees totaling \$422,981.51 (\$423,701.01 minus \$719.50) and costs totaling \$19,604.43 for PwC's services from October 1, 2003, through December 31, 2003.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES, P.C.**

By: 

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**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 24<sup>th</sup> day of May, 2004.

  
Warren H. Smith

**SERVICE LIST**

Notice Parties

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